

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
ALPENA POWER COMPANY)	
for approval to implement a power supply cost)	Case No. U-18141
recovery plan for the 12-month period ending)	
December 31, 2017.)	
_____)	

At the December 9, 2016 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 29, 2016, Alpena Power Company (Alpena) filed an application, with supporting testimony and exhibits, seeking authority to implement a power supply cost recovery (PSCR) plan for the 12-month period ending December 31, 2017.

On November 10, 2016, a prehearing conference was held before Administrative Law Judge Mark D. Eyster. Alpena and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree to a projected 2017 plan factor of 10.10 mills per kilowatt-hour (kWh) and a 2016 overrecovery factor of 1.30 mills per kWh. This results in an annualized PSCR factor of up to 8.80 mills per kWh that is to be applied in each of the twelve months of 2017 to all customers' bills except those

rendered to Alternative Energy Manufacturing Service and special contract customers. The parties also agree that Alpena should be authorized to continue, as part of its PSCR refunding and surcharging procedures, rolling in prior year over- or underrecoveries into the current plan year.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Alpena Power Company is authorized to implement a power supply cost recovery factor of up to 8.80 mills per kilowatt-hour for the 12-month billing period ending December 31, 2017.
- C. Within 30 days of the date of this order, Alpena Power Company shall file tariff sheets substantially similar to those attached to the settlement agreement.
- D. Should Alpena Power Company desire to apply a lesser power supply cost recovery factor than authorized by this order, it shall notify the Commission 10 days before using the lesser factor, and shall file a tariff sheet during that billing month showing the lesser factor applied.
- E. Alpena Power Company is authorized to continue, as part of its power supply cost recovery refunding and surcharging procedures, rolling in prior year over- or underrecoveries into the current plan year.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General – Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 West Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of December 9, 2016.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of the Application of)	
ALPENA POWER COMPANY for)	
Approval to Implement a Power Supply)	Case No. U-18141
Cost Recovery Plan for the Twelve)	
Month Ending December 31, 2017)	
_____)	

SETTLEMENT AGREEMENT

Alpena Power Company ("Alpena") by and through its attorney, Timothy M. Gulden, of the Law Firm of Gillard, Bauer, Mazrum, Florip, Smigelski & Gulden, and the Michigan Public Service Commission Staff ("Staff") by and through its attorney, Assistant Attorney General Michael J. Orris, hereby present the following Settlement Agreement in resolution of the above matter.

RECITALS:

1. On September 29, 2016, Alpena filed an application with supporting testimony and exhibits, for authority to implement a Power Supply Cost Recovery ("PSCR") plan for calendar year 2017. Incorporated in its filing is Alpena's required 5-year forecast. In its application, Alpena proposed the use of a PSCR Factor of 10.10 mills per kWh for the 2017 plan year, less 1.30 mills per kWh for the estimated 2016 over-recovery, to be applied to all of its customer bills, except those rendered to its Alternative Energy Manufacturing Service and

special contract customers whose service is excluded from Alpena's PSCR Plan, for each of the twelve billing months ending December 31, 2017. Alpena also noted that it has entered into an Interruptible Power Agreement with Lafarge, whereby Alpena has the right to purchase 10 MW of power during periods when a portion of Alpena's power supply from Consumers Energy Company ("Consumers") is interrupted, and that this Call Option Agreement is for the months of June 2017 through August 2017. In addition, Alpena also requested authority to continue rolling in prior year over- or under-recoveries into the current plan year as part of its PSCR refunding and surcharging procedures.

2. On October 10, 2016, the Commission issued its notice of hearing setting this matter for a prehearing conference on November 10, 2016. Pursuant to the Commission's directive, Alpena mailed a copy of the notice of hearing to all cities, incorporated villages, townships and counties in its service area, and published the substance of the notice in a daily newspaper of general circulation within its service area.

3. Assistant Attorney General Michael J. Orris and Alpena's attorney, Timothy M. Gulden, attended the November 10, 2016 prehearing conference conducted by Administrative Law Judge Mark D. Eyster, who reviewed the status of the case and created a case schedule. Thereafter, the parties executed this written Settlement Agreement.

NOW, THEREFORE, Alpena and Staff agree as follows:

A. The parties agree that Alpena's plan to obtain its power supply requirements for 2017 from Consumers and from local industrial companies is consistent with Commission approval given in recent PSCR cases.

B. Alpena has projected its 2017 total purchased power costs to be \$18,676,478. Alpena's total system energy requirements for 2017 are projected at 260,920,000 kWh, resulting in an average power supply cost of 71.58 mills/kWh. The difference between Alpena's power supply costs base of 62.07 mills and its projected 2017 average cost of power of 71.58 mills indicates an increase of 9.51 mills/kWh. Converting this production level cost to a customer level cost requires multiplication by 1.0625 to allow for losses, which results in 10.10 mills/kWh, which shall be the 2017 plan year factor. The 2016 over-recovery factor shall be 1.30 mills/kWh (\$319,171 - 2016 estimated over-recovery), resulting in an annualized PSCR factor of 8.80 mills/kWh, to be applied in each of the twelve months of 2017 to all of its customers' bills except those rendered to Alternative Energy Manufacturing Service and special contract customers.

C. Alpena's PSCR factor of 8.80 mills/kWh, as shown on its revised electric rate schedule, Appendix 1, is reasonable and prudent and should be utilized for the months January through December 2017.

D. Alpena's 5-year forecast as filed has met the statutory requirements.

E. Alpena has also requested authority to continue, as part of its PSCR refunding and surcharging procedures, rolling in prior year over- or under-recoveries into the current plan year. Each year, as part of its PSCR Plan application, Alpena proposes to estimate the over- or under-recovery that will occur in the current year. The estimated over- or under-recovery, including interest to the end of the current year, will be rolled into the subsequent year's PSCR

Plan, to be collected evenly throughout the year. Alpena would continue to file a PSCR Reconciliation case annually, where the actual over- or under-recovery and applicable interest would be determined. The parties agree that Alpena's request should be granted by the Commission.

F. It is the opinion of the parties that this Settlement Agreement will promote the public interest; this Settlement Agreement is intended for final disposition of this proceeding; and the parties join in respectfully requesting the Commission to grant prompt approval of the agreement.

G. This Settlement Agreement will become binding upon the parties only if the Commission accepts and approves the same without modification. If the Commission does not approve this Settlement Agreement without modification, this Agreement shall be withdrawn and shall not constitute any part of the record in the proceeding or be used for any purpose whatsoever.

H. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise that prompts administrative efficiency and is without prejudice to the rights of the parties to take new or different positions in other proceedings. All offers of settlement and discussions relating to this Agreement shall be considered privileged under MRE 408. If the Commission approves this Agreement without modification, the parties shall make no reference to or use of this Agreement or the order approving it as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceedings; provided, however, such references or use may be made to

enforce the Agreement and Order.

I. All parties waive Section 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281.

MICHIGAN PUBLIC SERVICE COMMISSION STAFF



By: _____

Michael J. Orris (P51232)
Assistant Attorney General

ALPENA POWER COMPANY

Timothy
M. Gulden

Digitally signed by Timothy M.
Gulden
DN: cn=Timothy M. Gulden, o,
ou, email=tmgulden@gillard.law.
com, c=US
Date: 2016.11.21 10:14:25 -05'00'

By: _____

Timothy M. Gulden (P41232)
Its: Attorney

POWER SUPPLY COST RECOVERY CLAUSE
(Continued from Sheet No. D.2.00)

POWER SUPPLY COST RECOVERY FACTORS

Billing Month	Maximum Authorized 2017 PSCR Factor (\$/kWh)	Actual Factor Billed (\$/kWh)
Jan-2017	0.00880	
Feb-2017	0.00880	
Mar-2017	0.00880	
Apr-2017	0.00880	
May-2017	0.00880	
Jun-2017	0.00880	
Jul-2017	0.00880	
Aug-2017	0.00880	
Sep-2017	0.00880	
Oct-2017	0.00880	
Nov-2017	0.00880	
Dec-2017	0.00880	

The Company will file a revised Sheet No. D-3.00 monthly to reflect the actual factor to be billed the following month.

(continued on Sheet No. D-4.00)

Issued January 1, 2017 by
Ann K. Burton, President
Alpena, MI 49707

Effective for bills rendered on
and after January 1, 2017

Issued under authority of the
Michigan Public Service Commission
and 1982 PA 304 in Case No.
U-18141